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The Two Koreas

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SECRET

CONTENTS

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CONCLUSIONS

A. All four of the major powers concerned—the US, the USSR, Japan, and most recently China—have tacitly accepted the existence of "two Koreas", in effect abandoning the idea of reunification, but they differ in their perceptions of the problem and hence on modalities. The Soviets appear to have concluded that, in the absence of any real hope for peaceful unification, the best course in Korea is a negotiated accommodation between North and South, but the USSR must move cautiously to avoid antagonizing Pyongyang. The Japanese seem quite ready to accept some form of gradual reconciliation of the two Koreas, provided it is orchestrated in a way that does not disrupt Tokyo's overall efforts to achieve a *modus vivendi* with Peking. China, concerned to prevent the growth of Soviet influence in North Korea, is greatly interested in achieving some kind of explicit agreement, but must not get out ahead of Pyongyang, which still wants to unify Korea under its control. Thus, any negotiated arrangement formalizing the peninsula's division is difficult to foresee.

B. Pyongyang and Seoul, in a prudent effort to prepare for whatever new international alignments emerge in East Asia, are presently talking to one another at several levels. Open negotiations in the Red Cross talks were initiated in the latter part of 1971, ostensibly to open the way for reuniting the many Korean families separated since 1945. There are also covert discussions, but these are mainly exploratory

and meaningful progress toward a political settlement would seem to be some time away.

C. The rival Koreas are approaching one another with differing motivations and different scenarios in mind. The North has been more inclined toward expansion of the current Red Cross discussions, hopeful that its new conciliatory tactics will complicate South Korea's foreign relations and ultimately lead to dissension in the South which Pyongyang can exploit. This has been coupled with an imaginative diplomatic drive abroad seeking certain other intermediate objectives: the withdrawal of US troops from the South; limitation of Japanese influence there; and recognition of North Korea's legitimacy by the international community. The South, on the other hand, is worried about the domestic effects of any amelioration in North-South relations and concerned as well over the possibility of a complete US military withdrawal. The Republic of Korea is acting cautiously. It wants to move only at a very deliberate pace and to keep the public talks limited.

D. The prospect is for the Red Cross talks to be prolonged. Although there is nervousness on both sides, domestic and international opinion, pressures from their allies, and the momentum generated by the talks themselves may lead to agreements on divided families, cultural exchanges, and even trade. Progress on these issues, in turn, could help reduce fears and suspicions on both sides and tone down the propaganda content of the negotiating atmosphere.

E. One issue likely to arise soon is the future UN position on Korea. Pyongyang wants an unconditional invitation to this fall's UN Assembly debates and an end to the present UN involvement in Korea. Seoul is strongly opposed to inviting the North Koreans and wishes to postpone debate at least for another year.

F. If the North-South negotiations break down, or if political upsets occur in either Korea to arrest trends toward political accommodation, the rivals could return to the pre-1971 situation of political confrontation. This might bring about something of an upsurge in armed incidents along the Demilitarized Zone (DMZ). At worst, Pyongyang might return to harsh tactics pursued in 1966-1969.

G. Another Korean War is not on the horizon, but incidents along the tense, heavily defended DMZ will occur and could at some point escalate to open hostilities. Northern responses in such circumstances

would depend heavily on Pyongyang's perception of both its own allies' support and the US military commitment to the South. Ultimately, therefore, the question of war or peace in Korea would come to rest, as before, on the decisions of the US, the USSR, and China. If these powers continue to limit military supplies and generally to exert a restraining influence over their clients, war will continue to be unlikely.

DISCUSSION

I. KOREA AND THE POWERS

Background

1. The problem of "the two Koreas" cannot be treated in isolation; four external powers have important interests in the peninsula and a stake in its future. Indeed, the tragedy of Korea in modern times has been a microcosm of the impact of great-power rivalries on weaker states. In the age of imperialism—which began in Northeast Asia in the 1860s—Korea was first a bone of contention between China and Japan, then a focus of Russian and Japanese rivalry. The Russians sought ice-free harbors; the Japanese were impelled by fear of "a dagger pointed at the heart" and, later, by a felt need for a bridge to the continent. By its victories over China in 1895 and Russia in 1905, Japan established complete domination of the peninsula, from which it did indeed support the subsequent penetration and takeover of Manchuria.

2. The end of World War II found the Allies with no workable plan for restoring Korean independence; the Soviet and American armies bisected the country for purposes of military occupation and, as in Germany, the division hardened under the pressures of the cold war. In Korea, however, foreign troops were soon withdrawn, opening the way for Soviet-sponsored, North Korean armies to invade the South. The war lasted three years, involved massive Chinese and American forces, and cost some two million casualties overall. An armistice ratified the battle lines on the peninsula, and is maintained to the present day by inordinately large indigenous armies backed by the defense pledges of their respective foreign patrons. Meanwhile, relations between the two Korean regimes have been characterized by confrontation on the military level and hostility on the political.

The Changing International Environment

3. *China.* Over the past year or two, the Korean glacier has begun to show signs of thaw. Externally, the chief new factor is the changing Chinese perception of the problem (although there is also some evidence that Soviet views have changed). Since the 1953 Korean armistice, all the concerned powers—the US, the USSR, China, and Japan—have

wanted to avoid another war on the peninsula. But Peking has at times seemed more willing than the other powers to approve the use of militant tactics by its client regime. China's attitude was not rooted in any strong desire to see a communist takeover in South Korea—a low priority item on Peking's agenda—but in its concern over the continuing American military presence in the South and, more important, a desire to enhance its status in Pyongyang.

4. Beginning in the fall of 1969, Chinese attitudes regarding Korea seemed to change. The intensification of China's conflict with the USSR at that time and subsequently the prospect of US military retrenchment in East Asia apparently led Peking to want to remove Korea as a source of friction between China and the US. Peking may also have become more alert to Japan's growing ties with the South Koreans and—particularly in the light of the Nixon-Sato communiqué of November 1969—concerned to quash any Japanese sentiment for assuming a security role in the peninsula. (Sato had stated that "the security of the Republic of Korea was essential to Japan's own security.")

5. China's changed outlook on Korea has been demonstrated in several ways. In July 1971, after a six-year absence, Chinese representatives rejoined the Military Armistice Commission (MAC) at Panmunjom. In an August interview with James Reston, Chou En-lai said that the existing armistice should be replaced by a treaty of peace, and specifically mentioned the MAC as a suitable place for discussions on the subject. Chou has since used other forums to stress to American audiences the importance to Peking of a settlement in Korea.

6. Such moves, however, may be less significant than China's apparent willingness to undertake the delicate task of encouraging the Pyongyang leadership toward moderation. Chou's visit to North Korea in early 1970 apparently succeeded in repairing much of the damage done to bilateral relations during China's Cultural Revolution (when extremist elements in Peking publicly degraded Kim Il-song). The subsequent resumption of Chinese economic and military aid to North Korea gave substance to Chou's words. We have since seen Pyongyang increasingly willing to support Chinese foreign policy initiatives, particularly the move toward détente with the US—in contrast, for example, with extremely negative North Vietnamese reactions. And China, in turn, has been the strongest supporter of Pyongyang's recent entry into negotiations with the South Koreans—the so-called Red Cross talks. While Pyongyang is doubtless aware that China is acting in its own interests, the North Koreans do seem willing to work with Peking for whatever short-term advantage may accrue.

7. It may be argued that Peking's present posture is designed simply to support a more sophisticated approach by Pyongyang to such intermediate objectives as weakening the Republic of Korea (ROK)/US alliance, the ROK's international standing, and the cohesion of the South Korean people generally. Clearly, however, recent moves by Peking with regard to Korea have been made in response to Chinese security concerns vis-à-vis the Russians. The Chinese are, of course, intensely concerned about the security of their strategic northeastern flank and the possible risks which might ensue from any new turmoil in the Korean Peninsula. In this connection, there may even be some question of Peking's interest at this time in a complete US military withdrawal from South Korea. While the Chinese no doubt desire as a general proposition to see US forces out of all areas on China's periphery, we doubt that there is any sense of urgency regarding South Korea, where the prospect for direct

Chinese political gains would, in any case, be meager. Indeed, for the Chinese, any dividend from a US troop withdrawal from the South would seem to be largely in the form of gratitude from Pyongyang. Aside from the issue of US forces, however, Sino-North Korean cooperation in foreign policy rests on a solid base of ideological affinities, including hostility toward "revisionism" and latent fears of Japanese expansionism.

8. *The USSR.* Despite North Korea's heavy economic and military dependence on the USSR, there remain distinct differences of view between the two governments. In addition to long-standing displeasure with Moscow's emphasis on "peaceful co-existence", Pyongyang resents the Russians' burgeoning friendship with the Japanese and recent evidence of their willingness to develop contacts with the South Koreans.

9. There may even be strong suspicion in Pyongyang that Moscow is not at all averse to the presence of American troops in the South. There is no direct evidence that this is the Soviet attitude but, in our view, such suspicions are probably well-founded. The relatively modest US force poses little threat to the USSR. It helps keep both North and South Korea from risky adventures. It acts as a constraint on Chinese military planning in an area adjacent to the strategic Maritime Provinces of the USSR. Furthermore, it preserves an area of potential friction between China and the US. Of course, one advantage Moscow might see in any US military withdrawal from South Korea would be the adverse impact of the move on a Japanese leadership increasingly skeptical of the value of the US alliance.

10. This is not to say that Moscow is content to let the Korean situation simmer. The Russians appear to have concluded that the best course in the peninsula—in the absence of any realistic hope for peaceful unification—is a negotiated accommodation between North and South. Some Soviet diplomats have suggested that Soviet policy toward the two Koreas may come to resemble Soviet policy with respect to the two Germanies. This would presumably imply the conclusion of a peace treaty, normalization of relations between the two Koreas, and international recognition of the legitimacy of both states—including membership in the UN. Moscow probably also anticipates—following this process—moves toward establishment of its own diplomatic ties with Seoul. The Soviets probably recognize that this process is likely to be a lengthy one, and that they would have to move cautiously in encouraging it so as to avoid damaging their relations with North Korea—and giving openings to the Chinese.

11. *Japan.* The Japanese derive considerable advantage from the maintenance of a strong US position—including a military presence—in South Korea: it mitigates the South Koreans' extreme sensitivity to expansion of Japan's economic and political influence; and it provides an important degree of security for Japan's southwestern flank. On the other hand, the presence of US support bases on their soil has always made the Japanese extremely apprehensive during periods of instability or tension on the peninsula; and despite the present calm, they see a persistent potential for flareups so long as the North-South conflict remains unresolved.[1]

12. Japan's longer range interests, therefore, would seem to be best served by a recon-

[1] This is not to say that the Japanese would contemplate taking over any security responsibilities with regard to South Korea in the event of a complete US troop withdrawal, at least in any foreseeable circumstance. Though the peninsula is indeed "strategic" in Tokyo's view, any such involvement would not only be poorly received by Koreans, South as well as North, but would provoke Peking and seriously hamper the development of Sino-Japanese relations.

ciliation of the two Koreas. For Tokyo, the main issue may be one of timing and technique. Japan's conservative leaders would not relish the idea of a complete withdrawal of US forces from South Korea two or three years hence. Japan would be concerned over the unsettling effect on Seoul itself of any such abrupt US troop withdrawal, as well as the broader implications for the US defense commitment to the area as a whole. Thus, the Japanese would probably prefer to see a more deliberate process of accommodation with the communists on the Korean issue, one that could be orchestrated—with their full participation—in a way that would assist Japan's overall effort to achieve a *modus vivendi* with Peking. Indeed, for the Japanese any surprise on the peninsula comparable to what they call the "Nixon shock" in Sino-American relations would be seen as a sharp diplomatic setback.

The View from Seoul and Pyongyang

13. In response to the possibility that the powers might again seek to dictate their future, both Koreas have come to see advantage in opening direct channels of communication. The North Korean leadership almost certainly remains committed to unification of Korea under communist rule, but it has apparently accepted the judgment that diplomacy now offers the best hope of achieving certain intermediate North Korean objectives: the withdrawal of US troops from the South; limitation of Japanese influence there; and recognition of North Korea's legitimacy by the international community. Pyongyang undoubtedly hopes that such developments will shake South Korean faith in the US alliance, and complicate South Korea's relations with Japan, leading ultimately to a demoralization exploitable by communist propagandists and agents.

14. Pyongyang may also be going along with Peking's new line for want of any real alternative. The aggressive policies pursued in the 1966-1969 period against the South—and against the US presence as well—proved counterproductive. The people of South Korea were antagonistic to communist infiltrators; and the myth of "people's war" in Korea on the Vietnamese pattern was laid to rest. Moreover, communist actions resulted not only in strengthened popular support for the Pak Chong-hui government, but contributed to an increased US military commitment—in the form of additional US aircraft based in the South and stepped-up US deliveries of military equipment to ROK forces.

15. Despite such tangible reassurances, the ROK leadership is reluctant to move as far as Pyongyang in responding to recent shifts in the international environment. Seoul has demonstrated some flexibility in dealing with the communist world; it now categorizes certain communist states as "non-hostile" and deals with them. The Pak government is still more comfortable, however, with the rigidly anti-communist formulas upon which it has based its electoral support and which, in its view, comprise the bedrock of South Korean political cohesion. It is unwilling to shed this protective cloak too quickly, particularly because it feels poorly equipped—in comparison with the North Korean regime—to monitor and control the effects of any amelioration in bilateral relations. The South Koreans also remain suspicious of Pyongyang's intentions and those of Peking as well, and in light of history, dubious of arrangements engineered by outside powers. For Seoul, the US security commitment, affirmed by the presence of US troops, remains the most effective deterrent to another communist effort to take the South by force.

16. Nonetheless, cognizant of growing American sentiment for a reduction of tensions in the region, the ROK leadership in mid-1971 offered to open talks with the North Korean Government through Red Cross chan-

nels on the emotionally charged issue of reuniting divided families. Sensing Seoul's dilemma and perceiving openings for broad political and diplomatic gains, Pyongyang quickly accepted the South Korean offer and, in their many talks to date, has persistently sought to broaden the range of topics. The North and South have also entered into secret talks designed, at least in Seoul's view, as a test of the opponent's willingness to negotiate meaningfully and in good faith. Meanwhile, on its own, Pyongyang has mounted a diplomatic offensive to gain greater acceptability and, in time, a position of equality with the South in the eyes of the UN membership. The latest element in Pyongyang's campaign is an offer of a peace agreement with the South, for the first time *not* conditioned on prior withdrawal of US forces.

II. THE POTENTIAL FOR POLITICAL INSTABILITY

17. As the Korean parties grope toward some new way of living with one another, serious political instability in North or South could occur at some point to delay or undo their efforts. The stereotype of the Pyongyang regime is that it is a monolith on the Stalinist pattern, with a tightly controlled politico-economic structure which gives it certain built-in advantages in any competition with the ROK. South Korea, despite considerable recent progress, is often pictured as politically volatile, plagued by economic uncertainties, dependent on US guidance, and hence still vulnerable to North Korean threats, however diminished. These stereotypes are somewhat misleading; there are potentially destabilizing political factors at work in the North, and elements of real strength in the South.

North Korea

18. *The Regime.* Kim Il-song and his Korean Worker's Party (KWP) have given North Korea continuity of leadership and a remarkably stable government for more than a quarter century, despite rampant intraparty factionlism and frequent purges. Kim has just turned 60, not particularly old as lifespans are reckoned in Korea, and younger than the leaders of most of Korea's neighbors. The presumption must be that he will survive for a while longer, and continue to keep party and government reins tightly in his hands. Certainly, at this stage, Kim's ideology and personality cult permeate every sector of national life and every level of the political process; and his closest supporters control the main levers of authority in the army, the party, and the bureaucracy. We do not believe, therefore, that any segment of North Korean society, including the military, presently has the power to unseat Kim.

19. But this is not to say that Kim's policies are unassailable or his views unquestioned. Kim does have critics: of his nepotism and egoistic style of leadership; his hard-line domestic policies; his dangerously provocative posture toward the US and the ROK in the 1966-1969 period; and perhaps also with regard to Pyongyang's shifting relations with the USSR and China. Factionalism and purges, arising from such internal differences, have sacrificed some of the skills needed to meet North Korea's economic and technical needs, and placed heavy strains on a party and a populace less willing than Kim to reach for unattainable goals.

20. We have observed, too, that while Kim seems to be the prime mover in setting national policy, other domestic influences are present and contribute to pressures for change when his strategies seem ineffective or risky. For one thing, we are reasonably certain that criticism by the North Korean military has been a problem for Kim in the past. As an example, the sustained purges of the high command in 1968-1969 seemed to indicate

disagreement with Kim's high-risk military activities against the South and the US. Kim's provocative activities tapered off in 1969 and his policy was formally abandoned at the Party Congress in 1970. He succeeded, however, in purging his chief military critics and making them the scapegoats for his failures.

21. There have also been indications that Kim's ability to manipulate the KWP might not be absolute, and that he has continually had to cope with critics there as well. The failure to meet many of the goals of the last Seven Year Plan (1961-1967), necessitating its extension by three years, must have been an embarrassment to Kim. He admitted at the 1970 Party Congress that the defense buildup, in tandem with attempts at economic betterment, was achieved "at a very large and dear price", and that North Korea was destined for a period of retrenchment and consolidation; spending on national defense, he conceded, had been "too heavy a burden for us". Such remarks suggest that Kim had to take account of critical views on both economic and defense matters, with the result that Pyongyang is now placing less emphasis on building armaments and otherwise preparing for the "liberation" of the South.

22. *The Succession.* Although he is only 60 Kim Il-song's health problems could remove him from the scene. He was reportedly hospitalized in 1969 for enlargement of the heart and for high blood pressure—and earlier for a kidney ailment—and suffered heart attacks in 1967 and 1970. One possible successor is Kim's younger brother, Kim Yong-chu, who has been catapulted from forty-first to sixth in party ranks over the past decade and heads the KWP's key Organization and Guidance Department. Another is Kim Il, third-ranking member on the Political and Central Committees, First Deputy Premier, and an old guerrilla colleague of Kim Il-song. Beyond these two, the succession picture becomes murky; and even if either Kim has already received the nod, there is no assurance that the selection would be respected by others of the inner circle. Indeed, some former KWP personality presently in eclipse might return to the scene, or a younger leader presently unknown to us could accede to power. Finally, some form of collegium, incorporating a variety of acceptable political tendencies, might become the successor regime.

23. The Chinese or the Soviets might try to assist some favored North Korean candidate to the top, although we have no evidence that either has any particular favorites at this time. Indeed, if the succession to Kim were not swift and clear, these powers might be tempted to some kind of covert manipulative effort to safeguard their respective interests. However mounted, attempts by foreign elements to influence the succession could seriously damage political stability in the North and lead to its becoming a prime focus of Sino-Soviet rivalries.

24. Lacking Kim's prestige and authority, it would be logical to suppose that a successor regime in Pyongyang would be somewhat weaker and less confident than the present leadership, at least initially. Kim's long domination of the country, in itself, could mean difficulties for his successor in maintaining control. Uncertainty at the top could easily translate into inaction or intransigence, particularly on major foreign policy themes—no matter what advice was proffered by Moscow or Peking. If one of Kim's close associates took over without a protracted power struggle, he would probably continue Kim's current conciliatory line as the best available vehicle for achieving a variety of current North Korean objectives, domestic as well as foreign.

25. *Economics and Politics.* Economic development in North Korea slowed considerably in the mid-1960s, due to substantial diver-

sion of resources to military modernization, the disruption of aid from the USSR and China, and unrealistic economic planning. With the leveling off of military expenditures late in the decade and the renewal of foreign aid, however, economic expansion regained momentum.[2] Pyongyang's current (1971-1976) plan does not vary significantly from the one completed in 1970, but the goals and investment program seem more realistic. Emphasis will continue to be placed on heavy industry and defense.

26. The prognosis for the North Korean economy over the next five years is for continued growth, but with living standards remaining austere. The dilemma for the leadership is to pursue economic policies emphasizing austerity, industrialization, and relatively high defense expenditures while giving a freer hand to the economic planners in dealing with problems of labor productivity, manpower shortages, and rising popular expectations.

27. Of major importance to the degree of economic progress achieved by North Korea is its access to foreign markets and assistance from abroad. Total trade in 1971 ran over $700 million (compared to $414 million in 1965)[3] more than 80 percent with the USSR, China, and Eastern Europe. This pattern seems likely to continue, at least for several more years, because Soviet and Chinese economic aid will help maintain a growing level of trade with the communist states. North Korea has also been successful in establishing access to important trade sources in Western Europe and Japan; it has recently purchased a number of complete plants—some on credit—from these sources. Future trade increases with Western Europe and Japan are expected. But the success of any negotiation with non-communist partners will continue to depend on the ability of North Korea to increase its exports and on the willingness of non-communist countries to grant credit.

28. We do not detect in current North Korean economic policies or trends any development likely to upset the country's political stability. Economic gains should be sufficient to prevent growth in public disenchantment with the regime and to enable the government to retain tight control. But this view is predicated to a considerable extent on

[3] Comparative South Korean figures for total trade are $3.4 billion in 1971, up from $438 million in 1965.

[2] The levels of productive activity in North and South Korea for 1970 are:

	Unit	North Korea	South Korea
Population	Millions	14	31
Grain, polished	Thousand tons	3,600	7,476
Industrial production index	1960=100	332	510
Electric power	Million KWH	16,500	9,169
Anthracite coal	Thousand tons	21,800	12,394
Iron ore	do	6,000-7,000	636
Crude steel	do	2,200	481
Cement	do	4,000	5,812
Textiles	Million sq. meters	400	362
Tractors	Thousand units	13	0
Motor vehicle tires	do	*Negl.*	923
Petroleum products	Thousand Kl.	0	9,887
Foreign trade:			
Total	Million US dollars	682	2,819
Imports	do	387	1,984
Exports	do	295	835

Pyongyang's continuing a posture of moderation vis-à-vis the South—to ensure uninterrupted aid from the USSR and China, and to retain and expand trade with Japan and Western Europe.

South Korea

29. *Authoritarianism and Stability.* Seoul's political dilemma, as direct contacts with the North begin, is to reconcile the requirements of democracy—Korean-style—with the need to deny openings to North Korea. Pyongyang's diplomatic offensive coupled with the developing Sino-American détente contributed heavily to President Pak's 6 December 1971 decision to declare a nation-wide state of emergency—which remains in force. Pak was concerned that campus disturbances and other evidences of opposition to his domestic policies might somehow weaken the government at a critical moment in South Korea's international affairs. The declaration, however, was but the most obvious manifestation of the government's increasing unwillingness to tolerate dissent from any source, evident over the past year. By demonstrating its belief that it must exercise tight control for an indefinite time over matters broadly defined as national security, the government hopes to strengthen its hand in dealings with North Korea. Domestically, the effect has been to narrow the limits of political participation and to obscure the line between dissent and "subversion". In contrast with the relative freedom permitted in the past, the government has now thoroughly intimidated the National Assembly, cowed the press, stifled student dissent, and told labor in no uncertain terms not to cause trouble.

30. These groups are severely limited in their ability to bring pressure on the government; a majority of South Koreans see little alternative to President Pak, and there is little opposition among the powerful military leadership to the government's present course. Additionally, the ROK political structure seems resilient enough to absorb a modest amount of buffeting from discontented elements. Perhaps most important, Pak himself has usually demonstrated understanding of the limits of popular tolerance for his repressive measures and an ability to maneuver for his purposes within those limits; he will probably continue to exercise his emergency powers judiciously.

31. But a severe test may arise as the ROK becomes more deeply involved in talks with North Korea. Problems could arise for example, in connection with the proposed visits of North Korean envoys to Seoul for the Red Cross plenary sessions; Pak is expected to crack down hard on any domestic dissent at that time. In any case, if Pyongyang continues to display a benign face toward Seoul, the maintenance of repressive controls will be increasingly hard to justify, especially among sectors of the ROK populace unpersuaded that even the present level of controls is justified. Certainly, how the government exercises its extraordinary powers in the next several years in dealing with changing public attitudes will, to a large extent, determine the level of tranquility of ROK public life.

32. *The Economic Prognosis.* Another test which Seoul might face is an economic downturn which could adversely affect political stability. Over the past decade, South Korea has complied one of the most impressive growth records of all the developing countries—an average annual rise in real GNP of 10 percent—but there are areas of vulnerability. Among these are heavy dependence on borrowed funds to finance economic growth, a continuing inflation, and inequalities in the distribution of income.

33. The government has made an effort to relieve inflation and debt obligation problems by adopting ceilings on local credit expansion and inflows of foreign capital. However, its

ability to slow down the overheated economy is limited. Because of Korean businesses' heavy dependence on borrowing, rather than equity capital, credit restrictions have caused some local firms to default on debts and go into bankruptcy. These failures have produced outcries by politically influential businessmen who have been able to constrain Seoul in carrying out economic measures. The government is also constrained by the fact that restrictive policies, which weed out marginal firms, run the risk of producing a wave of business failures which would bring on or exacerbate an economic slow down. In the foreign sector, any prolonged slow down in export growth would make it difficult for South Korea to meet payments on its external debt, thus impairing its ability to obtain the private foreign financing necessary to import industrial and capital goods.

34. In an effort to solve its economic problems Seoul has sought increased amounts for aid from the US and Japan. This aid would help provide the foreign financing the South Korean economy depends on but, because of concessional terms, would not seriously impair the Korean external debt position. Even with aid, the debt problem will remain. What is critical is continued access to world markets and a stable domestic political situation necessary to ensure a steady inflow of private foreign capital. A long-term solution to recurring financial problems will require expanded efforts to raise domestic savings and reform trade practices, as well as less ambitious investment spending.

35. *The Succession Issue.* This question will loom increasingly large as Pak's third term draws to a close in 1975. His public promise in the closing days of the 1971 campaign that he would not run again has already triggered jockeying for power within the ruling Democratic-Republican Party(DRP). Pak has given no public indication that he intends to rescind this promise; nevertheless, he may conclude eventually that he ought to continue in office beyond 1975. Recently, trial balloons have been raised by a high DRP official and others closely associated with Pak for extending both Presidential and Assemblymen's terms from four to six years or for selecting the President by vote of the National Assembly rather than by popular vote. Additionally, under one interpretation of the ROK Constitution, Pak could seek two additional terms without any amendment.

36. Though aware of how Rhee fell from power after a long and honored career, Pak is relatively young (55) with a strong sense of destiny; he may find it very difficult to bring himself to become the first modern Korean leader to give up power voluntarily. Moreover, he can probably count on the all-important support of top ROK Army leaders, his closest associates in the South Korean "establishment". At this juncture, we believe that Pak will try to hang on beyond 1975, but that this will stir up widespread and serious opposition—particularly from students and elements of the urban population who will accuse Pak of seeking lifetime tenure, and even from many younger generals and colonels in the army who seem opposed to another term for him. Some 45 percent of the electorate voted against him last time and only landslide support from his native province provided the margin of victory.

37. If Pak does run again we believe he will have a good chance to win with the massive governmental machinery enlisted in his support, including the resources of the army and the ROK Central Intelligence Agency—plus a well-funded DRP. Elections during Pak's rule have been managed to his advantage and would probably be again.

38. Excluding the unlikely possibility of a major economic downturn, the greatest threats to Pak's continued tenure are the possibility

of assassination and his health problems. Pak was the target of a North Korean commando raid in January 1968; he worries about another attempt on his life, and takes elaborate precautions. Pak also suffers from the emotional strains of office, which have in the past produced disabling episodes of stomach and liver troubles, and these could become serious.

39. There is some possibility, too, that in 1973 or 1974 Pak and his lieutenants may decide that he has become a political liability; that a fourth-term try might cause such strains as to threaten a breakdown in the political process. In this case, an heir within the establishment would be designated to run for the presidency. Prime Minister Kim Chong-pil is the foremost candidate at this time, and, though a controversial figure, he would probably win the election if he retained government and army support. Generally, we would not expect Kim's policies to differ greatly from Pak's. He might, however, prove somewhat more flexible than Pak has been.

40. There seems little chance of the opposition New Democratic Party coming to power in Seoul in 1975, given the present state of disarray in its ranks. We also tend to discount the possibility of a military coup as an element in the succession issue. Some high-ranking officers may harbor political ambitions, and many senior officers seem to oppose Pak and the high-level corruption he has condoned. By and large, however, we think key ROK Army commanders have too much stake in the status quo to risk upsetting it. Beyond cynicism and self-interest, there also seems to be a growing aversion in the officer corps to overturning an elected government—unless a situation of extreme political instability, like that of 1961, should again occur.

III. THE MILITARY EQUATION

41. Deliberate initiation of large-scale hostilities in Korea on the pattern of 1950 is highly unlikely in the foreseeable future. We base this estimate partly on the belief that neither side could get backing for such an effort from its large allies, and both know it. However, the two Koreas face each other along a tense and heavily defended border where clashes—accidental or otherwise—could occur at any time. We cannot entirely rule out the possibility of armed incidents of this sort escalating into a military confrontation.

Capabilities and Intentions [4]

42. For some years, despite threats and fears on both sides, neither Korea has felt able to launch a military attack on the other to achieve "unification". This has been due largely to the restraints imposed by the principal powers on both Koreas. The ROK is heavily dependent on the US for major items of military hardware, and the US retains tight control over POL supplies and ammunition stocks in the South. Virtually all North Korean POL supplies must also be imported, as well as aircraft, artillery, armor, and heavy ammunition, though North Korea does produce small arms, including mortars. While both North and South undoubtedly have the capacity to launch major attacks on the other, neither could carry on sustained large-scale operations without heavy support from its chief allies.

43. Soviet attitudes on providing military aid to the North have been marked by considerable caution. On the 10th anniversary of the 1961 Soviet-North Korean mutual defense treaty, the Russians noted that the pact provided for "coordinated actions against imperialism", a thinly veiled hint that they oppose any North Korean adventures. On the whole, the Soviets would prefer to avoid an arms race in Korea, but this does not mean that they are prepared to engage in talks to limit arms deliveries to the North. Because of

[4] See Military Annex.

the nature of its competition with Peking, particularly in view of China's new willingness to increase its levels of support, Moscow will remain under continuing pressure to keep Pyongyang well armed. But it may be inferred from the USSR's past practices that the Soviets will not wish to contribute to any disturbance of the existing military balance, and are likely to continue their tight controls over shipments of major hardware items, spare parts, and POL to Pyongyang.

44. China too has shown caution in supplying military assistance to Pyongyang. Public exchanges between Chinese and North Korean leaders, some in connection with the military aid agreement signed in 1971, suggest that while China remains willing to honor its defense obligation to North Korea, it will not support North Korean attacks on the South.

45. Despite the restraints which the three principal powers have placed on arms supplies Korea could become the scene of an "arms race" in the next several years. In South Korea, the US has undertaken a five-year, $1.5 billion modernization program for the ROK Armed Forces. This will be implemented through FY75 (assuming Congressional appropriations are forthcoming) by a combination of grant military assistance and the transfer of excess US military equipment at no cost to the ROK.

46. In North Korea, where both Moscow and Peking supply military hardware, Sino-Soviet competition represents the greatest problem in limiting the kinds and amounts of equipment furnished to Pyongyang's armed forces. North Korea may well exploit its allies' rivalry to press for considerably greater supplies of weapons than heretofore, arguing that increased aid is necessary to offset US upgrading of the ROK forces. The recent deliveries of aircraft from the USSR and China (noted in the Annex) were probably designed to compensate for what Pyongyang viewed as its qualitative inferiority in the air vis-à-vis the ROK and the US.

47. There are no foreign military units in North Korea. US military strength in the South now stands at one infantry division and one air wing, plus other support forces—a total of about 43,000 men.[5] Northern responses to the declining US force posture in South Korea (and elsewhere in Asia) will depend on Pyongyang's perceptions of the continuing US commitment to Seoul, the nature of the drawdown itself, and overall US capabilities for retaliation. With US troop strength reduced or removed entirely from the ROK, Kim Il-song might believe that he could initiate a successful attack against the South and gain support for it from China or the USSR, or that they would come to his rescue if he needed military assistance. Under present circumstances, neither ally would appear likely to condone—much less support—such a venture; thus major North Korean attacks are unlikely to occur unless there are very substantial changes in Chinese or Soviet policy in East Asia.

Northern Capabilities for Infiltration and Subversion

48. Infiltration and subversion, rather than conventional warfare, are the more likely options to be exercised if the North Korean regime elects to return to a policy of active hostility. Although such tactics have failed in the past, Pyongyang might be tempted to resort to them again if it saw an opportunity to exploit any developing unrest in the South. There are unresolved questions about the extent to which North Korea is maintaining the sort of insurgency force which surfaced in 1968. Agents coming from the North during the past two years have been civilians with a

[5] This strength will likely remain through FY73, but plans beyond that date are not firm.

primary mission of political infiltration. Although there are reports that special units such as the 124th Army Unit and the 17th Reconnaissance Brigade may be reorganized, reduced in size, or disbanded, there are indications of increased North Korean Intelligence Service training activity. There are also the so-called Foot Reconnaissance Stations (which may now be designated as light infantry) and the fleet of agent boats which support infiltration efforts against the South. Units whose wartime mission is to operate behind enemy lines, such as the expanding airborne and light infantry units, could function as unconventional warfare forces if the North should choose to revert to its 1968 tactics. The expansion of these units may be the result of a transfer or redesignation of some older unconventional warfare organizations. In any case, North Korea continues to have a potential for unconventional warfare.[6]

49. The Seoul government has developed a comprehensive counterinfiltration defense over the past few years. It includes the regular military forces, the Homeland Defense Reserve Force (militia), the National Police, and an extensive internal security apparatus. While the system has not been fully tested and doubtless has many weaknesses, it has nonetheless been effective in coping with North Korean infiltration attempts. The fact that Pyongyang has not tried to repeat the 1968 east coast guerrilla raid or its terrorist attacks of that year is one measure of the general effectiveness of the ROK in discouraging such tactics. The failure of Pyongyang's efforts can be attributed mainly to the prevailing anti-communist sentiment among the South Korean people; most of the 1968 infiltrators for example, were turned in by villagers as soon as possible.

[6] The formation of light infantry regiments in the North Korean Army and the growth of the airborne force do not appear to represent a trend toward insurgent or unconventional warfare forces. Rather, these units seem intended for wartime operations in the rugged Korean terrain where they would be less dependent on road movement and easier to deploy and use against forces holding control of the air.

IV. THE PROSPECT FOR ACCOMMODATION

50. *The Red Cross Talks.* Preliminary talks on relieving the plight of divided families, inaugurated in September 1971, have reached the substantive stage. Neither side, for a variety of reasons, wants the talks to break down; in particular, the competition for international approval provides a powerful stimulus for keeping them going. Considerable public attention has been focused on the talks in the South, and presumably in the North as well, because of the emotional content of the divided family issue and the number of persons who might ultimately benefit—some 10 million Koreans are believed to be members of families separated since Korea's division in 1945.

51. There are wide and significant differences in how the two sides view the Red Cross meetings. Seoul chose to have the talks start largely because of its concern not to be left out of shifting international alignments in East Asia—specifically Sino-US moves toward détente—and secondarily, to satisfy existing domestic pressures for movement in contacts with the North. Thus, the South has tried to keep the public agenda limited to the "humanitarian" issue—i.e., the location and reunion of missing families—and generally to slow the pace of the talks. Seoul's plans are necessarily vague, although the existence of the secret talks suggests it may be prepared to consider a variety of non-political subjects—e.g., exchanges of mail and newsmen; cultural exchanges; interchange of technical and commercial information; and trade. The ROK is obviously interested in playing for time, however, and will move with extreme caution in

publicly committing itself to dealing on more than humanitarian issues. Nonetheless, there is likely to be considerable activity in the field of secret talks.

52. North Korea has a far different scenario, with subtle international overtones. Pyongyang has proposed immediate direct political negotiations implying these could initially produce a mutual renunciation of force agreement to be concluded even before withdrawal of US troops from the ROK. Kim Il-song has also seemed to back away from one of his conditions for improved North Korean-Japanese relations—i.e., abrogation of Japan's 1965 friendship treaty with South Korea. And Pyongyang has hinted at the possibility of improved relations with Washington—over the heads of the South Koreans. Finally, Kim is considering alternatives to the traditional North Korean approach to the UN—possibly including a drive for UN membership.

53. *Intermediate Steps.* At a pace somewhere between North Korea's push for early political talks and South Korea's determination to move cautiously from humanitarian to other non-political negotiations, North-South contacts will move forward. Within the next year or so, some family visits will probably take place and progress on some non-political issues may also occur. The ROK will derive some advantages from such exchanges; they will open up North Korea's hermetically sealed society to an alternate source of Korean life. On the other hand, the initiation of people-to-people contacts seems useful to North Korea's present strategy of quiet subversion in the South, a policy that emphasizes infiltration of political agents, penetration of key groups, building of a revolutionary cadre, and stimulation of popular dissent to ROK Government policies. Pyongyang's efforts so far have not succeeded and are unlikely to. Nevertheless, they will continue to be a source of real concern to Seoul.

54. Both sides are nervous, but domestic and international public opinion, pressures from their major power allies, and the internal momentum of the negotiations under way may lead to agreements on divided families, cultural exchanges—and even trade. Measurable progress on one or two of these matters, in turn, could help reduce mutually hostile Korean attitudes and tone down the propaganda content of the negotiating environment. Meaningful progress on political issues is another matter, however. The bitterness of the Korean conflict still pervades the generation in power in both North and South. And on both sides, the leadership, the military, and the bureaucracies have vested interests in continued separation; indeed, the fundamental policies of each are predicated upon the existence of "threats" from the other.

55. Since unification, or even meaningful steps toward it, seem out of the question, what is in store for Korea in the 1970s? En route to the tacit legitimization of the peninsula's present division, it seems likely that the two states could well evolve out of the stage of politico-military confrontation into one of "peaceful competition", and eventually perhaps to some form of mixed competition and collaboration.

56. *The Koreas and the UN.* Developments in the UN may play an important role in advancing the peninsula toward some kind of "two Koreas" solution. Changes in the composition of the UN are altering the way it looks at Korean problems. Many countries, including such friends of the ROK as Australia and Canada, are tired of the ritualistic annual UN debate and convinced the UN position on Korea is unrealistic, if not detrimental to a more stable North-South relationship. There is, consequently, growing sentiment for more equal treatment of the two Korean Governments which, combined with the support for North Korea expected from China in this year's UN debate, makes it unlikely that the

UN will continue to exclude North Korea from all UN forums.

57. The North Koreans are lobbying for an unconditional invitation to this autumn's General Assembly session to debate Korean issues. They seek the dissolution of the present UN involvement in Korea, specifically the elimination of the United Nations Commission for the Unification and Rehabilitation of Korea (UNCURK) and the UN Command, and demand repeal of UN resolutions designating them aggressors in the Korean conflict. They probably expect Chinese support and the changing UN atmosphere to result in favorable UN action on at least some of these issues. The ROK, aware of new factors adverse to its UN standing, seeks to postpone UN debate for at least another year; failing this, to stick to the traditional formula requiring North Korea to accept the UN's competence to deal with the Korean issue. If both Koreas are invited to the UN debate this year, it would contribute to Pyongyang's efforts to pressure Seoul into a political dialogue. It is not yet clear how flexible ROK leaders might prove about changing the terms of the debate should it become evident that neither postponement nor their traditional position can win approval this year.

V. ALTERNATE POSSIBILITIES

58. Evolution of the two Koreas toward some sort of formal accommodation could, of course, be upset by any one of several possible developments. One is a breakdown of the current Red Cross talks. This might come about if North Korea concluded that no agreements were possible at this time and decided to content itself with milking ROK obduracy for its propaganda value. South Korea might back out if it decided that the talks were causing internal unrest. It is even conceivable that one or both might come to feel that the talks were jeopardizing military support felt to be essential. Termination of the negotiations could return Korea to the pre-1971 situation of political confrontation, and there might be something of an upsurge in armed incidents along the DMZ. At worst, Pyongyang might return to the harsh tactics pursued in 1966-1969.

59. We believe, however, that substantial changes would have to occur in North Korea, and probably in China as well, before the current policies of détente would be discarded in favor of a hostile stance. Such shifts would probably take place first in Pyongyang. If US troops appeared set to remain in the ROK indefinitely, for example, and there seemed little progress otherwise toward North Korean goals in the South, Pyongyang might conclude that the string with China had been played out, that there was no longer much point in following Peking's guidance. Such frustrations might propel North Korea back toward an attitude of open hostility to Seoul, and to anti-US actions too if the chance arose—such as another EC-121 type of incident. Kim Il-song's past irrationalities offer no comfort in this regard. As for China, in the final analysis it would probably opt to restrain North Korean hostility unless it became convinced that only by loudly supporting Pyongyang in its renewed vendetta could it forestall the growth of Soviet influence in the North. In any case, we can foresee no possibility of a major North Korean military attack on the South merely in response to disappointments in Pyongyang with the effectiveness of its current diplomatic maneuvering.

60. There is one other contingency which might change the Korean situation significantly. A near-complete US military withdrawal from the peninsula at any time over the next several years—no matter how negotiated—would almost certainly unsettle the South Koreans and raise new doubts in their minds as to the validity of US security guarantees. The North would be tempted to take ad-

vantage of Seoul's nervousness and to test US tolerances under the changed circumstances. Pyongyang might try—probably in concert with Peking—to encourage sentiment in the South for bowing to the "inevitable" and making Seoul's "peace" with the communist world. Pyongyang's prospects in this respect would be improved if the US troop removals came about in the context of a closer Sino-American relationship.

ANNEX

MILITARY ANNEX

1. South Korean ground forces, including the Marine Corps, are larger than the North Korean Army—570,000 men as against an estimated 370,000. The number of ROKA divisions is expected to be reduced to the pre-1965 level of 17 infantry with the return of two divisions from Vietnam.

2. In terms of present ground force equipment levels, the North has a larger inventory of anti-aircraft artillery, and recent deliveries of SAM equipment raise the SA-2 force to about 32 six-launcher units, partially offset by ROK assets of one battalion of Nike Hercules missiles and the equivalent of three battalions of Hawk missiles. The North has one or two Free-Rocket-Over-Ground (FROG) battalions offset by ROK Honest John holdings. North Korean armor equipment includes some 540 to 600 tanks (T-34s, T-54s, some PT-76s, and possibly a few JS-1s or JS-2s) and up to 400 older and less capable assault guns. The South has the greater number of tanks, and the US-sponsored modernization program aims at upgrading more than half of the obsolescent M-47 tank force in the two existing armor brigades, and providing them with a night-fighting capability. North Korea has some numerical advantage in field artillery, but South Korea has a significant number of self-propelled guns and the US plans to augment the ROK force structure by filling all T/E shortages for 105mm howitzers. The North Korean 21-division infantry force is expected to increase by three or four as that number of infantry brigades is upgraded.[7] If the tank inventory increases, the tanks will probably replace the old assault guns in the one armored division and the six independent armored regiments. North Korean tactical doctrine now calls for light infantry units to harass communications and logistical lines to cause turmoil in ROK areas, while the remaining North Korean conventional forces advance to exploit the situation. This doctrine is not much different from that employed in the early days of the Korean War.

3. The naval forces of each are small and primarily for coastal defense. The ROK Navy would be at a tactical disadvantage in operations against the North Korean Navy which has 4 east-coast based "W" class submarines and 14 guided-missile patrol boats (OSAs and KOMARs) armed with STYX missiles. Additionally, North Korea is building two DEs which may also carry the STYX missile. Current modernization plans of the ROK call for acquisition of 2 destroyers with the Sea Sparrow SAM system and the installation of similar missile units on 3 existing destroyers.

4. North Korea still has an advantage over the ROK in air power. Modernization will gradually replace the ROK's aging F-86s with F-5s and to a lesser extent F-4Ds, but for the foreseeable future, the ROK Air Force will be

[7] Infantry brigades lack the armor and artillery support of a division.

only partially capable of countering enemy air strikes. Pyongyang's ground attack capability has recently been enhanced by the receipt of SU-7 Fitter fighter-bombers from the Soviets. The fighter force has also been upgraded by the receipt of Mig-19s from China. In the future, the North Korean Air Force may receive more SU-7s and/or Mig-21s from the USSR and Mig-19s and/or F-9s from China. North Korean Mig-21 interceptors probably are armed with ATOLL air-to-air missiles. If the current buildup of air power on both sides of the DMZ is considered an "arms race", one qualifying factor is significant: if US aircraft are not considered, the balance of air power clearly favors the North.

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